

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 14, 2019

Mayor Sam Liccardo, City of San Jose
Mayor Darryl Steinberg, City of Sacramento
Mayor Libby Schaaf, City of Oakland
Mayor Michael Tubbs, City of Stockton
Mayor Ted Brandvold, City of Modesto
Mayor Steve Ly, City of Elk Grove
Mayor Barbara Halliday, City of Hayward
Mayor Larry Klein, City of Sunnyvale
Mayor Jesse Arreguin, City of Berkeley
Mayor Tom Butt, City of Richmond
Mayor Drew Bessinger, City of Clovis
Mayor Randall Stone, City of Chico
Mayor Julie Winter, City of Redding
Mayor Brett Lee, City of Davis
Mayor Martine Watkins, City of Santa Cruz

President Carole Groom, San Mateo County
Board of Supervisors
Chair Ryan Coonerty, Santa Cruz County Board
of Supervisors
Chair Kate Sears, Marin County Board of
Supervisors
Chair Don Saylor, Yolo County Board of
Supervisors
Chair Mark Medina, San Benito County Board
of Supervisors

Dear Mayors and Chairs of the Board of Supervisors:

Thank you for your November 4, 2019 letter regarding Pacific Gas and Electric Company (PG&E) and the future of electrical and gas service in Northern California. Local elected leaders, along with first responders, are on the front line of ensuring public safety during power outages and wildfire emergencies; I thank you for your collective efforts during this tumultuous time. As you noted, the immediate task at hand is ensuring public safety during Public Safety Power Shutoff (PSPS) events and wildfires, but the long-term concern is ensuring the people of northern California are provided safe and reliable electrical and gas service at just and reasonable rates, while meeting the state's climate change goals. Governor Newsom and I share the conviction that we must urgently address this issue and are open to bold solutions which will provide safe and reliable service to the people of California.

I am resolutely focused on finding a financial and operational model that prioritizes and ensures public safety. After less than three months at the Commission, I have observed PG&E's safety performance, and currently believe it is unequivocally unacceptable. I grant that PG&E faces historically challenging and dynamic climate change conditions, but the company has failed to successfully execute even basic operations during times of crisis. From website failures to communication breakdowns in PSPS events, PG&E's inability to execute and implement the simple stuff is deeply troubling.

California must have a future that is fundamentally different than what it experienced in 2019, and I expect our ongoing work to examine the shortcomings in PG&E's leadership and culture will help achieve that goal. The Commission initiated a review of PG&E's safety culture in I.15-08-019. In this proceeding, the Commission identified potential alternatives to the status quo of PG&E as it is constituted today. On April 26, 2019, the CPUC hosted a forum on corporate structure and alternatives

to shareholder ownership. Although I had not yet been appointed to the Commission, I understand the discussion addressed concepts such as mutual benefit corporations and similar models. There are many benefits from such models that warrant further consideration.

A December 21, 2018 Ruling in the Safety Culture proceeding (enclosed) identified a range of factors to consider when evaluating alternatives:

- the safety and reliability of utility service;
- the operational integrity and technical unity of components within PG&E's gas and electric transmission and distribution systems;
- the stability and adequacy of the utility workforce;
- the utility's relationships with and role in local communities;
- the ability of the state to implement its energy policies, including the need to reduce greenhouse gas (GHG) emissions and local criteria pollutants in both the utility sector and the economy as a whole;
- the ability of the utility to meet financial challenges posed by large catastrophic events such as earthquakes and wildfires;
- the utility's ability to raise capital and purchase gas, electricity, equipment and services; and
- the cost of utility service.

The wildfires and PSPS events of 2019 and the developments of the bankruptcy proceeding have emphasized the shortcomings of PG&E as constituted today and make considerations of improvements even more pressing. In addition to the Safety Culture proceeding, the Commission opened a proceeding focused on re-organization plans submitted in the bankruptcy (I.19-09-016).

While we are working on a long-term solution, I want to share the immediate actions we are taking to address the unacceptable recent performance of PG&E. As I said at the Commission meeting on October 18, 2019, these sustained PSPS events cannot be the new normal for California. The frequency and scope of the PSPS events of 2019 impacted your communities and others in a profound way. It is imperative that we do more to mitigate wildfire risk and reduce the use of PSPS in the future.

Moving forward, on October 28, 2019, the Commission announced a number of actions we will take immediately:

- **Launching a Formal Investigation:** The CPUC's Safety and Enforcement Division has opened an investigation (formally known as an Order Instituting Investigation) of the 2019 PSPS events, utility compliance with CPUC regulations and requirements, any resulting violations, and potential actions to ensure utilities are held accountable. I have also issued a Ruling directing PG&E to demonstrate why it should not be sanctioned for its failure to properly coordinate and communicate with local governments and public safety partners during the PSPS events in October 2019.
- **Immediate Re-Examination of How Utilities Use PSPS:** To prevent widespread PSPS events by the next fire season, I issued a new Ruling to re-examine the current PSPS protocol and the use of PSPS by investor-owned utilities. This includes an examination of actions that utilities can take in the next six months to minimize impacts of future PSPS events by increasing grid redundancy,

segmentation, and equipment hardening.

- **Ensuring Additional Consumer Protection:** The CPUC will ensure that for PSPS events, the fact that customers are not receiving service is properly accounted for in their bills. We will consider approaches that can be taken to make certain the utilities do not collect from their customers for services they do not receive during PSPS events.
- **Expanding Wildfire Mitigation Plans for Immediate Impact:** I will direct the utilities to expand their upcoming 2020 Wildfire Mitigation Plans to focus on increasing the safe performance of utilities, reduce the need for PSPS events, create more resilient communities, and provide results before the next wildfire season.
- **Enlist New Technology Partnerships:** The CPUC will pull together a panel of experts to use data modeling and other advanced technologies to identify specific projects that can be implemented in the coming months to minimize the use and scope of PSPS events in the next fire season. This team of experts will also analyze the effectiveness of utility mitigation plans and evaluate past PSPS events.

I sincerely appreciate you reaching out and sharing your thoughts on this matter. I will carefully consider your comments during our deliberations. Please feel free to contact me or our Director of Governmental Affairs, Hazel Miranda (hazel.miranda@cpuc.ca.gov), should you have any further comments or concerns.

Sincerely,



Marybel Batjer, President
California Public Utilities Commission

cc: Honorable Gavin Newsom, Governor of the State of California
Honorable Toni G. Atkins, President Pro Tem, California State Senate
Honorable Anthony Rendon, Speaker, California State Assembly
Honorable Ben Hueso, Chair, Senate Committee on Energy & Utilities
Honorable John M.W. Moorlach, Vice Chair, Senate Committee on Energy, Utilities & Communications
Honorable Chris. R. Holden, Chair, Assembly Committee on Energy & Utilities
Honorable Jim Patterson, Vice Chair, Assembly Committee on Energy & Utilities
Liane Randolph, Commissioner, CPUC
Martha Guzman Aceves, Commissioner, CPUC
Cliff Rechtschaffen, Commissioner, CPUC
Genevieve Shiroma, Commissioner, CPUC
Hazel Miranda, Director of Office Governmental Affairs, CPUC
Steve Allen, Administrative Law Judge, CPUC